

Message Text

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AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
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E.O. 11652: N/A

TAGS: ENRG, OECD

SUBJECT: IEA: STANDING GROUP ON THE OIL MARKET MEETINGS,
DECEMBER 14-16, 1976
1. SUMMARY: SOM MET DECEMBER 16, PRECEDED BY ONE DAY
MEETINGS OF ITS AD HOC GROUPS ON CAPITAL INVESTMENTS AND

FINANCIAL STRUCTURE (DECEMBER 14) AND ON CRUDE OIL AND PETROLEUM PRODUCT COST AND PRICE INFORMATION SYSTEMS (DECEMBER 15). CHAIRMEN OF THE TWO GROUPS (CAPITAL INVESTMENTS-SKOLDEFORS, SWEDEN; AND INFORMATION SYSTEMS-PRIDDLE, CANADA) REPORTED TO SOM ON STATUS OF THEIR RESPECTIVE ACTIVITIES TO DEVELOP A CAPITAL DEMAND ASSESSMENT FOR THE OIL AND GAS SECTORS AND TO IMPROVE THE QUALITY OF THE PRESENT PRICE AND COST INFORMATION SYSTEM. SOM CONTINUED ITS DISCUSSION REGARDING POSSIBILITY OF PUBLIC RELEASE OF OIL MARKET DATA AND INSTRUCTED SECRETARIAT TO PREPARE A DRAFT REPORT CONTAINING 1976 DATA FOR CONSIDERATION BY EARLY NEXT YEAR. SECRETARIAT CIRCULATED ITS FIRST REPORT ON CRUDE OIL COSTS AND UPDATED REPORTS ON CRUDE AND PRODUCT PRICES. JAPANESE INFORMED THE GROUP THAT THEY WILL BEGIN SUBMITTING ESTIMATED CRUDE COST DATA FOR ARABIAN OIL COMPANY IN FIRST QUARTER 1977. SOM HELD INCONCLUSIVE DISCUSSION REGARDING THE AGGREGATION/DISAGGREGATION QUESTION IN LINE WITH EARLIER AGREEMENT TO REVIEW THE MATTER AT THE END OF 1976. DISCUSSION CONFIRMED THAT

POSITIONS OF INDIVIDUAL COUNTRIES HAD CHANGED LITTLE OR NOT AT ALL SINCE THE ISSUE FIRST AROSE. GROUP AGREED TO PUT THE QUESTION ASIDE FOR THE TIME BEING AND AWAIT THE RESULTS OF THE AD HOC GROUP SEEKING TO IMPROVE THE INFORMATION SYSTEM AND A POSSIBLE FIRST TEST OF THE CHAIRMAN'S COMPROMISE. OECD SECRETARIAT BRIEFED SOM ON THE LIMITED OFFICIAL USE
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STATUS OF ITS NEARLY COMPLETED TASK FORCE REPORT ON TANKER TRANSPORT AND AGREED TO PROVIDE SOM WITH COPIES AS SOON AS AVAILABLE. CHAIRMAN PROPOSED AND SOM AGREED TO HOLDING A SPECIAL ONE-DAY CONSULTATION WITH EXXON AND SHELL IN LATE JANUARY ON THE OIL MARKET OUTLOOK FOR 1977 IN LIGHT OF THE RECENT OPEC PRICE DECISION. NEXT SOM MEETING FOLLOWING THE CONSULTATION TENTATIVELY SET FOR LATE FEBRUARY OR EARLY MARCH AT WHICH TIME U.K. WOULD BE INVITED TO BRIEF THE GROUP ON ITS RECENTLY IMPLEMENTED ENERGY LEGISLATION. END SUMMARY.

2. AD HOC GROUP ON CAPITAL INVESTMENT AND FINANCIAL STRUCTURE: MORNING SESSION FOCUSED ON TWO ISSUES: (1) HOW TO COMPILE HISTORICAL INVESTMENT DATA--I.E., DRAW FROM EXISTING CHASE MANHATTAN SOURCES OR DEVISE A TOTALLY INDEPENDENT IEA SYSTEM; AND (2) THE QUESTION OF COMPANY PROFITABILITY. RE HISTORICAL DATA, GROUP DECIDED TO PURSUE BOTH OPTIONS FOR THE TIME BEING. SWEDEN, U.K., FRG, AND U.S. WILL MEET WITH CHASE IN NY IN FEBRUARY TO POSE FURTHER QUESTIONS REGARDING THE CHASE SYSTEM. AT THE SAME TIME, IEA REPORTING FORMS INITIALLY PROPOSED BY THE IWP AND SUBSEQUENTLY MODIFIED BY THE SECRETARIAT WILL BE SUBMITTED TO IWP FOR ITS FURTHER COMMENTS. DISCUSSION

ON COMPANY PROFITABILITY CONFIRMED COMPLEXITY OF THE ISSUE, WITH ONLY ITALY PRESSING FOR IMMEDIATE HEADWAY. GROUP DECIDED FOR TIME BEING TO AWAIT RESULTS OF A U.S. FEDERAL TRADE COMMISSION STUDY ON OVERALL PROFITABILITY OF INTEGRATED COMPANIES EXPECTED TO BE RELEASED IN 1977. SECRETARIAT WAS INSTRUCTED TO PREPARE A REPORT ON FTC STUDY ONCE IT'S AVAILABLE. DURING AFTERNOON SESSION SECRETARIAT BRIEFED GROUP ON THE METHODOLOGY INVOLVED IN ITS DRAFT PRELIMINARY REPORT ON A CAPITAL DEMAND ASSESSMENT. GROUP CONCURRED ON (1) THE NEED FOR A CAPITAL REQUIREMENT SYSTEM AND THE SUGGESTED METHODOLOGY SET OUT BY THE SECRETARIAT; AND (2) THE NEED FOR FURTHER ELABORATION REGARDING DATA INPUT SOURCES AND VARIABLES. MEMBER LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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COUNTRIES WERE SUBSEQUENTLY REQUESTED TO ASSIST IN SUPPLYING DATA INPUT REQUIREMENTS FOR THEIR PARTICULAR COUNTRY TO THE EXTENT POSSIBLE BY JANUARY 28, 1977. GROUP NOTED FURTHER, THAT IT IS STILL INVESTIGATING THE CAPITAL AVAILABILITY SEGMENT OF THE OVERALL ASSESSMENT. SEVERAL COUNTRIES, INCLUDING U.S., EXPRESSED RESERVATIONS ABOUT THIS PORTION OF THE EXERCISE.

3. AD HOC GROUP ON INFORMATION SYSTEM: THE GROUP--COM-PRISING CANADA, DENMARK, FRG, ITALY, NETHERLANDS, TURKEY, U.K. AND U.S.-- HELD ITS FIRST MEETING DECEMBER 15. SESSION CONCENTRATED ON MATTERS RELATING TO THE TIMING AND CONTENT OF DATA SUBMITTED, RECOGNIZING THAT IMPROVEMENTS HERE WOULD BROADEN THE SCOPE OF THE SECRETARIAT'S SUBSEQUENT ANALYSIS. THE GROUP DISCUSSED MORE THAN A DOZEN SUGGESTED IMPROVEMENTS TO THE EXISTING DATA SYSTEMS AND AGREED TO RECOMMEND, (BEGIN UNDERLINE) INTER ALIA (END UNDERLINE): IMPROVED TIMELINESS OF DATA SUBMISSION TO THE SECRETARIAT AND FURTHER CONSIDERATION OF POSSIBLE TELEX REPORTING; ANNUAL REVISION OF DATA SUBMITTED BY MIDDLE OF FOLLOWING YEAR; SECRETARIAT GUIDANCE TO CONTROL THE QUALITY OF DATA PROVIDED, WITH CONSIDERATION BEING GIVEN TO POSSIBLE ESTABLISHMENT OF REVIEW TEAMS TO AUDIT NATIONAL PROCEDURES AND QUALITY OF NATIONAL DATA. RE CRUDE AND PRODUCT PRICE DATA, GROUP RECOMMENDED THESE REPORTS FOR FIRST QUARTER 1977 BE BROKEN DOWN BY MONTHS TO PROVIDE EXPERIENCE WITH MONTHLY DATA FOR POSSIBLE EMERGENCY SITUATIONS AND TO BETTER REFLECT SHORT TERM MARKET DEVELOPMENTS FOLLOWING THE LATEST OPEC PRICE INCREASE; AND THAT DATA SHOULD REFLECT AFFILIATE/NON-AFFILIATE COMPANY BREAKDOWN. GROUP ALSO PROPOSED THAT PRESENT LIST OF 16 IEA CRUDE STREAMS BE REVIEWED, AS WELL AS CURRENT ADJUSTMENTS FOR API GRAVITY AND CREDIT TERMS; ALSO THAT CONSIDERATION BE GIVEN TO REPORTING ON BASIS OF DATE OF LOADING RATHER THAN DISCHARGE. IWP WILL BE REQUESTED TO OFFER ITS ADVICE ON THE ABOVE PROPOSALS, WHERE APPROPRIATE.

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4. PUBLIC RELEASE OF OIL MARKET DATA (IEA/SOM(76)69): SOM RESUMED ITS EARLIER DISCUSSION REGARDING MERITS OF RE-LEASING TO PUBLIC CERTAIN OIL MARKET DATA. MOST FAVORED THE IDEA IN PRINCIPLE, BUT AGREED THAT REPORTS SHOULD NOT REVEAL INDIVIDUAL COUNTRY DATA. GROUP INSTRUCTED SECRETARIAT TO PREPARE A FIRST REPORT BY EARLY NEXT YEAR WITH DATA FOR CALENDAR YEAR 1976 WHICH SOM WILL THEN DISCUSS AND REFER TO IWP FOR ITS VIEWS.

5. CRUDE COST AND CRUDE AND PRODUCT PRICE REPORTS: SECRETARIAT DISTRIBUTED AND BRIEFED SOM ON THE ABOVE THREE REPORTS WHICH CONTAIN DATA THROUGH SECOND QUARTER 1976. THIS CONSTITUTES THE SECRETARIAT'S FIRST REPORT ON CRUDE ACQUISITION COSTS, WITH DATA BEING SUBMITTED BY SIX PARTICIPATING COUNTRIES (U.S., U.K., FRG, NETHERLANDS, ITALY, BELGIUM) UNDER THE "BLACK BOX" SYSTEM. JAPAN REPORTED THAT BEGINNING IN FIRST QUARTER 1977 IT WILL BE IN A POSITION TO SUBMIT ESTIMATED COST DATA FOR ARABIAN

OIL COMPANY (AOC). WHILE EXPRESSING SATISFACTION WITH THIS NOTIFICATION, SEVERAL DELEGATIONS URGED REPORTING ALSO OF HISTORICAL DATA FOR 1975, 1976. JAPANESE AGREED TO CONSULT FURTHER WITH AOC IN AN ATTEMPT TO OBTAIN THE BACK DATA AND NOTIFY SOM OF THE RESULTS OF THEIR EFFORTS.

6. AGGREGATION/DISAGGREGATION: AS AGREED IN EARLIER CHAIRMAN'S COMPROMISE PROVIDING FOR REVIEW OF THE SUBJECT AT THE END OF 1976, SOM HAD A BRIEF AND LOW-KEY DISCUSSION WHICH REVEALED NOTHING NEW. FRG, ITALY, DENMARK, SWEDEN, NETHERLANDS AND SPAIN STRONGLY FAVORED MOVE TO DISAGGREGATION WHEREAS U.S., U.K., CANADA, NORWAY AND SWITZERLAND URGED CONTINUATION OF PRESENT SYSTEM. IN PARTICULAR, CANADA SWITZERLAND AND U.S. CITED LEGISLATIVE CONSTRAINTS WHICH PRECLUDED SUBMISSION OF SINGLE COMPANY DATA. CHAIRMAN BECKER URGED THAT THE GROUP AGREE TO PUT

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ASIDE THE QUESTION FOR THE TIME BEING, PENDING A POSSIBLE TEST OF THE CHAIRMAN'S COMPROMISE AND FURTHER DELIBERATIONS OF THE AD HOC GROUP WORKING TO IMPROVE THE INFORMATION SYSTEM. THE GROUP WOULD RETURN TO THE ISSUE AT A SUBSEQUENTLY AGREED DATE IN 1977. SOM CONCURRED AND BECKER STATED HE WOULD DRAFT A CHAIRMAN'S NOTE TO THE GB TO THIS EFFECT.

7. FUTURE WORK ON TANKER TRANSPORT: SOM RECEIVED A

BRIEFING ON THE ONGOING OECD TASK FORCE STUDY ON TANKER TRANSPORT WHICH IS EXPECTED TO BE COMPLETED SHORTLY. OECD SECRETARIAT AGREED TO PROVIDE SOM WITH COPIES OF THE REPORT ONCE IT IS AVAILABLE.

8. FUTURE CONSULTATIONS: CHAIRMAN BECKER PROPOSED SOM HOLD A SPECIAL ONE-DAY CONSULTATION IN LATE JANUARY WITH EXXON AND SHELL ON THE 1977 OIL MARKET OUTLOOK IN LIGHT OF THE LATEST OPEC PRICE DECISION. GROUP CONCURRED AND AGREED TO SUBMIT SPECIFIC QUESTIONS TO THE SECRETARIAT BEFORE CHRISTMAS. CONSULTATION TENTATIVELY SCHEDULED FOR JANUARY 24-25, TIMED TO PRECEDE A SUBSEQUENT GB MEETING. NEXT REGULAR SOM MEETING WOULD LIKELY TAKE PLACE IN MARCH 1977.
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